



PENSION INSURANCE
CORPORATION

FILLING THE £35 BILLION FUNDING GAP NEEDED TO ACHIEVE THE UK'S SOCIAL HOUSING NEEDS

London, 28 November 2019 – The social housing sector is under increasing pressure to find capital if it is to help end the UK's housing shortfall by providing 145,000 new social homes each year¹. A report released today shows that the £35 billion shortfall between what Housing Associations (“HAs”) need and what they are currently able to find is increasingly being filled by specialist insurance companies. Collectively, these institutional investors are estimated to be investing up to £2 billion of debt finance a year in the sector.

The report, “Filling the £35bn funding gap: How insurance capital helps fund social housing in the UK” published by Pension Insurance Corporation plc (“PIC”), can be downloaded from <https://www.pensioncorporation.com/the-purpose-of-finance/thought-leadership/>.

HAs, regulated, non-profit organisations that provide social housing, make an important contribution to the UK's housing supply, building 26% of all new homes in England in 2018². But they are being squeezed at both ends, with the average cost of building a home for affordable rent in London and the South East increasing by 43% over 10 years³, whilst central funding has fallen. The biggest single factor has been the withdrawal of bank finance, due to the Basel Banking Regulations, and the very long-term borrowing needs of the HAs.

Insurance companies are increasingly filling the gap, providing debt funding to help build tens of thousands of new homes, whilst using the secure, long-term cashflows from the loan to back future pension payments up to 40 years in the future. The pension risk transfer market is growing rapidly, and consequently investment into the HA sector is expected to grow.

Allen Twyning, Head of Debt Origination at PIC said: “At PIC, we are proud to be long-term lenders in this area, having made £2 billion of investments in affordable housing around the country. The repayments made by housing associations are matched by us to the pension payments we make to our policyholders, spanning 30 – 40 years into the future. We believe our investments in social housing and other vital infrastructure are important, as assets backing pension payments to older generations are being recycled back into the economy, funding infrastructure for use by future generations.”

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Notes to Editors:

- 1) Source: National Housing Federation, “Capital grant required to meet social housing need in England 2021-2031”, 21 June 2019
- 2) Source: National Housing Federation, “About Housing Associations”
- 3) Source: Network Homes, “Why aren’t housing associations building more social rented homes?”, January 2019

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About Pension Insurance Corporation

The purpose of Pension Insurance Corporation plc (“PIC”) is to pay the pensions of its current and future policyholders. PIC provides secure and stable retirement incomes through leading customer service, comprehensive risk management and excellence in asset and liability management. At half year 2019, PIC had insured 218,000 pension scheme members and had £39.6 billion in financial investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of U.K. defined benefit pension schemes. Clients include FTSE 100 companies, multinationals and the public sector. PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345). For further information please visit www.pensioncorporation.com